

## Message Text

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ACTION AGR-08

INFO OCT-01 EA-07 ISO-00 EB-07 COME-00 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 PA-01 PRS-01

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R 280830Z JAN 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 6426

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E.O. 11652: N/A

TAGS: EAGR ETRD JA

SUBJECT: ASST SECY BELL JAN 11-14 VISIT (THIRD REPORT)

REF: (A) TOKYO 677, (B) TOKYO 991

DEPT PASS AGRICULTURE FOR HUME

FINAL REPORT OF ADDITIONAL DETAILS RE VISIT FOLLOWS FYI AND USE.

1. A. WITH FEED MFRS ASSN ASST SECY BELL SUMMARIZED CURRENT US AGRIC POLICY OF FULL PRODUCTION, FULL MARKET ORIENTATION AND STOCKS HELD BY THE TRADE AND PRODUCERS. ALSO TOUCHED ON US-USSR AGREEMENT, FACT ABE-BUTZ ACCORD PRECEDED IT, BUT MEANT USSR TO NOW BE TREATED MORE LIKE A REGULAR BUYER. SAID US EXPECTS 12 PERCENT GROWTH RATE IN 1976, 6 PERCENT REAL TERMS, AND HOPES JAPANESE ECONOMY WILL ALSO BE STIMULATED AND CONSUMERS REGAIN CONFIDENCE. CROPS IN 1975 OF EXCELLENT

QUALITY, EXPECTS ANOTHER LARGE HARVEST IN 1976 AND FULL CONFIDENCE CAN SUPPLY JAPAN'S NEEDS.

B. KAWADA APPRECIATED REVIEW, SAID DEC 74 - NOV 75 MIXED FEEDS OUTPUT 16.4 MIL TONS; PROJECTS DEC 75 - NOV 76 AT 16.95 OF WHICH 6.2

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CORN AND 4.0 SORGHUM VERSUS 6.0 AND 3.8 PAST YEAR. A MINIMAL

INCREASE, BUT WILL NOT DECLINE. QUESTIONS FOLLOWED RE ACREAGE INTENTIONS, PRICE TRENDS, COSTS OF PRODUCTION AND US CONSUMPTION LEVELS. RESPONSES WERE THAT OVERALL ACREAGE EXPECTED TO INCREASE, CURRENT DEMAND AND PRICES BELIEVED QUITE FIRM, COST OF PRODUCTION DATA BEING PROVIDED CONGRESS AND WILL THUS BE FULLY AVAILABLE SOON, BUT USE WITH CAUTION. US CONSUMPTION UP BUT BELIEVES THERE HAS BEEN A PERMANENT CHANGE IN USE.

2. A. IN FONOFF MTG THEY OPENED WITH REF TO EXCELLENT MUTUALLY BENEFICIAL AGRIC TRADE PATTERN AND AGREEMENT WITH BELL'S EARLIER COMMENTS RE THE BUTZ-ABE AGREEMENT PRECEDING THE US-USSR ONE AND THAT IT IS LESS RESTRICTIVE ON JAPAN THAN IS THE USSR ONE. ON QUESTION OF WHETHER US PLANNED AN EXTENSIVE NETWORK OF SUCH AGREEMENTS BELL SAID NO. THE BASIS OF OUR POLICY IS STILL FOR A MULTILATERAL WORLD - ESPECIALLY IN WESTERN COUNTRIES. ONLY ONE ADDL SUCH AGREEMENT MAY BE CONCLUDED WITH THE ROC. RE QUESTION OF USSR AGREEMENT BEING LEGALLY BINDING AND HENCE MAYBE BETTER, BELL SAID NEVER. JAPAN ESSENTIALLY HAS SAME ACCESS TO US SUPPLIES AS DOMESTIC USERS, SOYBEAN EMBARGO WAS A MISTAKE, IT WILL NOT HAPPEN AGAIN AND ABE-BUTZ ACCORD HELPS ASSURE THIS. USSR HOWEVER DID AGREE TO BECOME A REGULAR BUYER AND IN RETURN US AGREED TO ESSENTIALLY TREAT THEM AS A REGULAR CUSTOMER IF THEY LIVE UP TO AGREEMENT. ONLY QUANTITIES ARE MENTIONED IN THE USSR AGREEMENT, NOT PRICES THAT ARE CONSIDERED THE BASIC ALLOCATOR OF AVAILABILITIES.

B. RE CITRUS OPP-TBZ PROBLEM, THEY STRESSED NEED TO PROVIDE MHW SOME DATA RE MUTAGENICITY WHICH THEY BELIEVED WOULD ALLOW DECISION. ALSO INQUIRED RE PROGRESS IN ERRADICATING MED FLY.

C. RE INTL RESERVES MEETING IN LONDON, SAID BELL KNEW JAPAN POSITION THAT RESERVES ONLY ONE ELEMENT, PUT EMPHASIS ON PRICES AND SUPPLY ASSURANCES. THERE ARE OTHER COMMODITY AGREEMENTS WITH PRICE FEATURES. BELL SAID BASIC POLICY IS TO LOOK AT THEM ON A CASE BY CASE BASIS AND WE CAME DOWN STRONG AGAINST PRICE TRIGGER RE WHEAT RESERVES. EVEN EC AGREES THAT OLD AGREEMENTS WITH PRICE OBJECTIVES HAVE NOT WORKED. USDA AND AGRIC GROUPS ARE NOT INTERESTED IN A RESERVES AGREEMENT THAT DOESN'T FIT US AGRIC POLICIES. US IS ENCOURAGED BY WHAT OTHER COUNTRIES DOING ALREADY TO INCREASE STOCKS SUCH AS INDIA, JAPAN AND EC RE PROTEIN. US LIMITED OFFICIAL USE

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MARKET SYSTEM HAD PROVEN TO BE A GOOD ALLOCATOR OF SHORTAGES THE PAST FEW YEARS, IN FACT THE US PROVIDED MOST OF THE SUPPLIES DURING THIS PERIOD, WHEREAS THE EC POLICIES CONTRIBUTED TO THEIR INSTABILITY.

D. RE HOW USG WOULD ASSURE STOCK COMMITMENTS WOULD BE MET, BELL SAID WITH PRESENT AGRIC POLICIES AND OPTIONS, HAD CONFIDENCE MARKET WOULD MAKE THEM AVAILABLE. AS BACKUP USDA HAS AUTHORITY

UNDER CCC NOW FOR BORROWING UP TO \$15 BILLION IF FOR SOME REASON THE FREE MARKET DID NOT MEET OUR COMMITMENTS. US EXPORT CONTROL MEASURES HAVE NOT RESTRICTED JAPAN'S ACCESS AT ALL.

E. RE USSR AGREEMENT REDUCING NEED FOR INTL RESERVES, BELL REPLIED THAT POSITION IS THAT BILATERAL AGREEMENTS SHOULD NOT INTERFERE WITH MULTILATERAL ONES. REALISTICALLY, HOWEVER, IT DOES LESSEN THE NEED. ALSO THE USSR DELEGATE IN LONDON HAS NEVER SAID THEY WOULD PARTICIPATE IN ANY AGREEMENT AND UNLIKELY THEY WILL EVER PERMIT VERIFICATION ON THE SPOT IF THEY DID.

F. RE MTN POSITON, BELL SAID WE BASICALLY LOOK ON MTN TO DEAL WITH TRADE LIBERALIZATION. REVERVES HAVE NO REAL PART, BETTER HANDLED IN LONDON. BUT ANY AGREEMENT REACHED COULD BE SENT TO GENEVA FOR INCLUSION IN THE OVERALL ACCOUNTING.

3. A. IN MEETING WITH AGRIC COOP LEADERS, BELL OPENED WITH REVIEW OF DRAMATIC CHANGES IN US AGRIC PAST FEW YEARS, CURRENT MARKET ORIENTED POLICIES, CAPACITY TO PRODUCE AND CONTINUE AS MOST DEPENDABLE SUPPLIER. SAID PRESIDENT WOULD ANNOUNCE PROJECTIONS OF 14 PERCENT GROWTH IN GNP, 6 PERCENT REAL, FOR 1976 AND THIS SHOULD HELP JAPAN AS WELL. CHAIRMAN APPRECIATED REVIEW, SAID JAPANESE FARMERS MOST DESIRED US GRAINS, BUT A LONG WAY TO THE GULF SO IN THEORY WHY NOT IMPORT END PRODUCTS. HOWEVER, ALSO HAVE TO CONSIDER MAINTENANCE AND IMPROVEMENT OF JAPANESE FARMS SO A STRONG DESIRE TO HAVE DEPENDABLE GRAIN SUPPLIES. BELL SAID WE QUITE CONTENT WITH PRESENT OVERALL RELATIONSHIP, BUT DO HAVE CERTAIN SPECIALTY PRODUCTS LIKE QUALITY BEEF, ETC., THAT WOULD LIKE TO SELL MORE OF. OTHERS ELABORATED ON DESIRE FOR STABLE SUPPLIES AND PRICES AND CONCERN IF PRICES DROP TOO LOW US FARMERS INCENTIVE WOULD DECLINE. BELL REASSURED THEM RE CONFIDENCE IN OUR CAPACITY TO MEET NEEDS, SAID IMPORTANT THAT ABE-BUTZ ACCORD BE A SUCCESS AS WE TOO HOPED

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INCENTIVES COULD BE MAINTAINED. BUT USDA NOT WITHOUT SOME TOOLS SUCH AS CCC LOAN PROGRAM IF NEEDED.

B. THEY THEN BROUGHT UP ORANGE JUICE, SAYING MIN ABE PROMISED TO INCREASE IMPORTS FROM THE US. SAID JAPAN PRODUCES A SURPLUS NOW AND THOUGH CHILLED ORANGE JUICE IS A BEST SELLER IN TOKYO, JAPANESE DO NOT YET HAVE DAILY JUICE HABIT LIKE THE US. THEY HAVE SET UP ORGAINZATION TO HANDLE JUICE IMPORTS AND HOPED WE COULD FOLLOW PRINCIPLE OF A GRADUAL INCREASE IN IMPORTS TOGETHER WITH THE BARTER IDEA. CITRUS ISSUES HAVE BEEN DISCUSSED FOR MANY YEARS, STARTING WITH LEMONS, GRAPEFRUIT AND ORANGES. PROBLEM IS HOW INTERESTS OF JAPANESE PRODUCERS ARE REFLECTED IN THE POLICIES. IF US COULD INCREASE MIKAN IMPORTS, THEN PERHAPS MORE FRESH ORANGES COULD ENTER JAPAN. HOPED THAT IN FORMULATING POLICIES WE WOULD REFLECT ON THESE POINTS. BELL SAID

WE WOULD DO SO, ARE VERY INTERESTD IN THE SUBJECT AND WILL BE PURSUING IT WITH THEM IN THE MONTHS AHEAD. IN CLOSING THEY ASKED THAT BELL CONVEY THEIR BEST WISHES TO THE LEADERS OF OUR SEVERAL FARM ORGS WHO ARE FRIENDS THAT THEY KNOW WELL AND INVITED THE AGATT TO MEET FOR MORE FREQUENT DISCUSSIONS, WHICH WE WILL DO.

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INFO OCT-01 EA-07 ISO-00 XMB-02 COME-00 SP-02 AID-05 EB-07

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

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4. IN MEETING WITH COTTON SPINNERS ASSN THEY INDICATED THAT THERE HAD BEEN SOME IMPROVEMENT IN TEXTILE DEMAND AND THE INDUSTRY WAS LOOKING FORWARD TO FURTHER IMPROVEMENT IN 1976. ALSO THE SPINNERS ARE WELL PLEASED WITH THE QUALITY OF US COTTON AS WELL AS THE STABILITY OF SUPPLY. THEY ESPECIALLY APPRECIATED US EXPORTERS FULFILLING CONTRACTS IN 1974 WHEN WORLD PRICES ROSE SHARPLY AND SOME OTHER COUNTRIES WERE CANCELLING CONTRACTS. THEY ALSO STRESSED THAT IN 1975 JAPAN MET ALL CONTRACT COMMITMENTS EVEN THOUGH WORLD PRICES DROPPED. WHILE PURCHASE OF US COTTON THIS YEAR HAVE BEEN QUITE LOW, THE TRADE FELT THAT PURCHASES IN THE NEXT SIX MONTHS WOULD IMPROVE CONSIDERABLY. FURTHER THAT JAPAN WOULD AGAIN APPLY FOR \$75 MILLION EX-IM BANK CREDIT FOR 1976-77 AND HOPED THAT THE USDA WOULD SUPPORT THEM IN THIS REQUEST.

B. BELL APPRECIATED COMMENTS ABOUT THE US BEING A STABLE SUPPLIER AND INDICATED THE US WOULD CONTINE TO STRIVE FOR THIS

KNOWING THAT JAPAN IS OUR BEST CUSTOMER. ALSO SAID THAT THERE PROBABLY WOULD BE A SIZEABLE INCREASE IN US COTTON ACREAGE IN 1976. BAD WEATHER HAD REDUCED YIELD IN 1975 AND ADVERSELY AFFECTED QUALITY. FINALLY THE USDA SUPPORT THE REQUEST FOR EX-IM BANK CREDIT.

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5. MEETING WITH FOUR LEADERS OF THE DIET FOR FIRST TIME WITH USDA VISITOR OF ASST SECY RANK WENT VERY WELL AND BELIEVED MOST USEFUL. BELL LED INFORMAL DISCUSSION WITH BRIEF SUMMARY OF PURPOSE OF HIS VISIT AND US AGRICULTURAL SITUATION AND POLICIES PLUS SELECTED ITEMS OF KEEN INTEREST TO JAPAN SUCH AS ABE-BUTZ ACCORD AND US-USSR AGREEMENT.

DIET MEMBERS RESPONDED WITH THANKS FOR THE OPPORTUNITY AND BROUGHT UP FOR FURTHER DISCUSSION THE ABE-BUTZ ACCORD; THEIR RICE SELF-SUFFICIENCY AND NEED FOR US FEEDGRAINS TO KEEP LIVESTOCK INDUSTRY VIABLE; RATIONALE FOR US-USSR AGREEMENT AND EFFECT ON JAPAN; SOME PAST APPREHENSIONS ABOUT US NOT KEEPING JAPAN FULLY INFORMED (ACKNOWLEDGED NO PROBLEM RE US-USSR AGREEMENT AS ABE-BUTZ ONE PRECEDED IT AND THEY WELL SATISFIED WITH ARRANGEMENTS); POLICY IS FOR SELF-SUFFICIENCY BUT OBVIOUSLY JAPAN CANNOT HOPE TO ACHIEVE IT; BREAD IS NOW A STAPLE IN JAPANESE DIET JUST LIKE RICE AND IF TRY TO PUSH PEOPLE TO EAT TOO MUCH RICE THEY RUN RISK OF LOSING ELECTIONS; THEY ARE CONCERNED ABOUT STOCKPILING; BELIEVE SOYBEAN OIL WILL CONTINUE TO HAVE EDGE OVER PALM OIL BUT STIFF COMPETITION; INQUIRED RE US FOOD AID POLICY; ASKED FOR COMPARISON OF RESPECTIVE AGRICULTURAL MINISTRIES BUDGET AND SUBSIDIES (US NOW LESS THAN \$300 MILLION WHEREAS RICE SUBSIDY ALONE IN JAPAN OVER \$2 BILLION); INQUIRED RE US CAPACITY TO PRODUCE TO MEET FUTURE NEEDS; AND REQUESTED THAT US NOT PUT TOO MUCH EMPHASIS ON USSR OR JAPAN WOULD FEEL LONELY. ONE MEMBER CONCLUDED WITH COMMENT THAT US NOT FORGET THAT QUOTE THE USSR MINUS THE US STILL EQUALS THE USSR BUT JAPAN MINUS THE US EQUALS NOTHING UNQUOTE. AN EXAGGERATION, OF COURSE, BUT HIS POINT WAS WELL TAKEN.

6. MEETINGS WITH THE OILSEED PROCESSORS, TRADING FIRMS, US TRADERS, THE TOBACCO MONOPOLY AND THE SOAP AND MARGARINE ASSNS COVERED ESSENTIALLY THE KEY POINTS ALREADY REPORTED ELSEWHERE AND/OR WELL KNOWN TO FOLLOWERS OF OUR AGRICULTURAL TRADE RELATIONSHIPS.

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